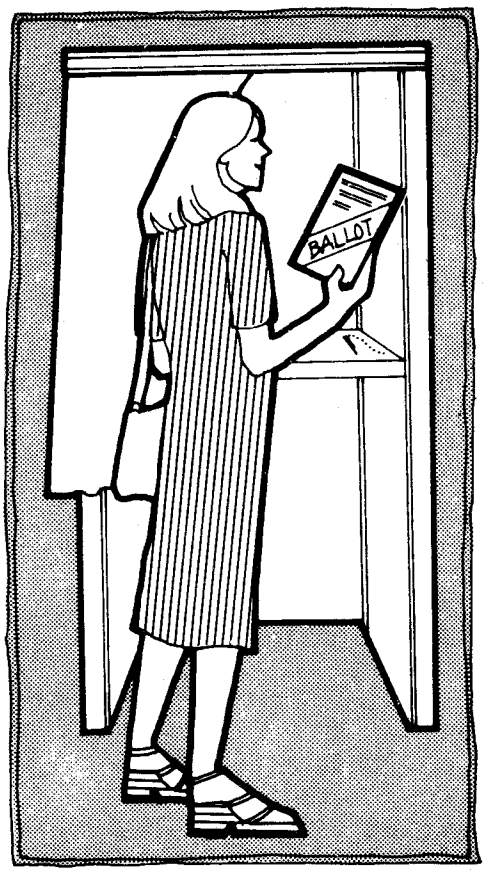
1979

Voter Information Guide for 1979, Special Election



CALIFORNIA BALLOT PAMPHLET

SPECIAL STATEWIDE ELECTION NOVEMBER 6, 1979

COMPILED BY MARCH FONG EU • SECRETARY OF STATE
ANALYSES BY WILLIAM G. HAMM • LEGISLATIVE ANALYST

AVISO

Una traducción al español de este folleto de la balota puede obtenerse si completa y nos envía la tarjeta con porte pagado que encontrará entre las páginas 12 y 13. Escriba su nombre y dirección en la tarjeta en LETRA DE MOLDE y regrésela a lo menos el día 30 de octubre de 1979.

NOTICE

A Spanish translation of this ballot pamphlet may be obtained by completing and returning the postage-paid card which you will find between pages 12 and 13. Please PRINT your name and mailing address on the card and return it no later than October 30, 1979.

Secretary of State

SACRAMENTO 95814

Estimados Californianos:

Esta es la versión en inglés del folleto de la balota de California para la Elección Especial Estatal del 6 de noviembre de 1979. Contiene el título de la balota, un breve resumen, el análisis del Analista Legislativo, los razonamientos a favor y en contra y las refutaciones y el texto completo de cada proposición. También contiene el voto legislativo depositado a favor y en contra de todo proyecto de ley propuesto por la legislatura.

Con objeto de reducir los pasos innecesarios asociados con la distribución de este folleto y para evitar demoras indebidas en el tiempo necesario para que usted lo reciba, la oficina de la Secretaria del Estado los esta enviando directamente a los votantes registrados 60 días antes de la elección. Los funcionarios electorales de los condados enviarán los folletos a votantes registrados entre los 59 y los 29 días antes de la elección.

Si usted desea recibir un folleto de la balota en español, simplemente complete y envíe la tarjeta adjunta entre las páginas 12 y 13 de este folleto. No se necesitan estampillas.

Lea cuidadosamente cada uno de los proyectos de ley y la información respecto a los mismos contenidos en este folleto. Las proposiciones legislativas y las iniciativas patrocinadas por ciudadanos estan diseñadas específicamente para darle a usted, el votante, la oportunidad de influir las leyes que nos gobiernan a todos.

Aproveche esta oportunidad y vote el 6 de noviembre de 1979.

March Fong Eu

MARCH FONG EU
Secretaria del Estado

Secretary of State

SACRAMENTO 95814

Dear Californians:

This is the English version of the California ballot pamphlet for the November 6, 1979, Special Statewide Election. It contains the ballot title, short summary, the Legislative Analyst's analysis, the pro and con arguments and rebuttals, and the complete text of each proposition. It also contains the legislative vote cast for and against any measure proposed by the Legislature.

To reduce unnecessary steps associated with the distribution of this pamphlet and to avoid any undue delays in the amount of time it takes to reach you, pamphlets are being mailed directly by the Secretary of State's office to voters registered 60 days before the election. County election officials will mail pamphlets to voters registered between the 59th and 29th days before the election.

If you wish to receive a Spanish language ballot pamphlet, simply fill out and mail the card enclosed between pages 12 and 13 of this pamphlet. No postage is needed.

Read carefully each of the measures and the information about them contained in this pamphlet. Legislative propositions and citizen-sponsored initiatives are designed specifically to give you, the electorate, the opportunity to influence the laws which regulate us all.

Take advantage of this opportunity and vote on November 6, 1979.

March Fong Eu

MARCH FONG EU
Secretary of State

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1 School Assignment and Transportation of Pupils

Official Title and Summary Prepared by the Attorney General

SCHOOL ASSIGNMENT AND TRANSPORTATION OF PUPILS. LEGISLATIVE CONSTITUTIONAL AMENDMENT. Amends Section 7(a) of Article I of the Constitution to provide that nothing in the California Constitution imposes upon the State of California or any public entity, board, or official any obligations or responsibilities which exceed those imposed by the United States Constitution with respect to the use of pupil school assignment or transportation. Provides for modification of existing judgments, decrees, writs or other court orders to conform to the provisions of this subdivision. Provides that governing boards of school districts may voluntarily continue or commence a school integration plan. Financial impact: Indeterminable. Potential savings if school districts elect to reduce or eliminate pupil transportation or assignment programs as a result of this measure.

FINAL VOTE CAST BY LEGISLATURE ON SCA 2 (PROPOSITION 1)

Assembly—Ayes, 62 Noes, 17

Senate—Ayes, 28 Noes, 6

Analysis by Legislative Analyst

Background:

The U.S. Supreme Court has interpreted the U.S. Constitution to require public school desegregation only when the segregation was caused by government action with a discriminatory intent. The California Supreme Court has interpreted the State Constitution to require that public school segregation be alleviated regardless of what caused the segregation. Thus, the State Constitution now requires public school desegregation in cases where the U.S. Constitution does not.

Currently, there are many California school districts which are providing pupil transportation and/or assigning pupils to schools outside of their immediate neighborhoods in order to alleviate segregation. Other school districts are currently involved in court actions concerning desegregation, and still others could become involved in court actions at some time in the future.

Some school districts have started desegregation plans because of federal court orders or because of agreements with the U.S. Office of Civil Rights. Other school districts are carrying out desegregation plans because of California court decisions. A third group of school districts is implementing desegregation plans on a voluntary basis.

Proposal:

This proposition would limit the power of California courts to require desegregation. Specifically, desegregation could be required only in cases where the U.S. Constitution would require it. As a result, the proposition could affect 13 school districts which now have desegregation plans ordered or approved by a California court plus other school districts that are involved or could become involved in desegregation actions before California courts.

This measure has four major provisions. First, it would require California courts to follow applicable federal court decisions when deciding if changes in pupil school assignment or pupil transportation are required to alleviate segregation. Consequently, if a California school district is found to have segregation for reasons other than government action with a discriminatory intent, the proposition would prohibit a California court from ordering the school district to start a pupil school assignment or pupil transportation desegregation plan.

Second, the proposition would make past California court decisions requiring desegregation through changes in pupil school assignment or pupil transportation subject to court review using the same standards applicable to the federal courts. Any person could request a court to review its prior decision that resulted in a pupil school assignment or pupil transportation plan. The court would then have to reconsider its prior decision, and if necessary issue a new ruling based upon the California Constitution as amended by this proposition.

Third, the proposition would require California courts that are asked to review their prior decisions to give first priority to such a review relative to other civil cases.

Fourth, public schools would be allowed to continue current desegregation plans and start new desegregation plans on a voluntary basis.

Fiscal Effect:

The proposition would have an unknown fiscal effect. It would not require any school district to stop or reduce current busing programs. Thus, it would not necessarily affect school district costs. However, because review of current court-ordered busing programs, as permitted by the proposition, might result in some of these programs being modified to require less busing, the proposition could result in significant sav-

ings to the state and school districts. The savings would only occur, however, if school districts chose to eliminate or reduce their current busing programs based on new court decisions. Additional state and local costs would result from court review of existing court decisions, and these costs would offset some portion of any savings that might occur due to decreased busing.

Therefore, the net fiscal impact of this measure could range from a net increase in state and local government costs (if no districts chose to reduce or eliminate pupil transportation programs) to significant net savings (if many districts reduce or eliminate these programs).

Text of Proposed Law

This amendment proposed by Senate Constitutional Amendment No. 2 (Statutes of 1979, Resolution Chapter 18) expressly amends an existing section of the Constitution; therefore, new provisions proposed to be inserted or added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE I

Subdivision (a) of Section 7 is amended to read:

(a) A person may not be deprived of life, liberty, or property without due process of law or denied equal protection of the laws; *provided, that nothing contained herein or elsewhere in this Constitution imposes upon the State of California or any public entity, board, or official any obligations or responsibilities which exceed those imposed by the Equal Protection Clause of the 14th Amendment to the United States Constitution with respect to the use of pupil school assignment or pupil transportation. In enforcing this subdivision or any other provision of this Constitution, no court of this state may impose upon the State of California or any public entity, board, or official any obligation or responsibility with respect to the use of pupil school assignment or pupil transportation, (1) except to remedy a specific violation by such party that would also constitute a violation of the Equal Protection Clause of the 14th Amendment to the United States Constitution, and (2) unless a federal court would be permitted under federal decisional law to impose that obligation or responsibility upon such party to remedy the specific violation of the Equal Protection Clause of the 14th Amendment of the United States Constitution.*

Except as may be precluded by the Constitution of the United States, every existing judgment, decree, writ, or other order of a court of this state, whenever rendered, which includes provisions regarding pupil school assignment or pupil transportation, or which requires a plan including any such provisions shall, upon application to a court having jurisdiction by any interested person, be modified to conform to the provisions of this subdivision as amended, as applied to the facts which exist at the time of such modification.

In all actions or proceedings arising under or seeking application of the amendments to this subdivision proposed by the Legislature at its 1979–80 Regular Session, all courts, wherein such actions or proceedings are or may hereafter be pending, shall give such actions or proceedings first precedence over all other civil actions therein.

Nothing herein shall prohibit the governing board of a school district from voluntarily continuing or commencing a school integration plan after the effective date of this subdivision as amended.

In amending this subdivision, the Legislature and people of the State of California find and declare that this amendment is necessary to serve compelling public interests, including those of making the most effective use of the limited financial resources now and prospectively available to support public education, maximizing the educational opportunities and protecting the health and safety of all public school pupils, enhancing the ability of parents to participate in the educational process, preserving harmony and tranquility in this state and its public schools, preventing the waste of scarce fuel resources, and protecting the environment.

1 School Assignment and Transportation of Pupils

Arguments in Favor of Proposition 1

CURRENTLY, THE CALIFORNIA CONSTITUTION CAN BE INTERPRETED TO REQUIRE COMPULSORY BUSING, INCLUDING METROPOLITAN COMPULSORY BUSING, IN CIRCUMSTANCES WHERE BUSING WOULD *NOT* BE REQUIRED BY THE CONSTITUTION OF THE UNITED STATES OF AMERICA.

THE INTENT AND PURPOSE OF MY AMENDMENT IS TO PROHIBIT ANY CALIFORNIA JUDGE FROM ORDERING MANDATORY BUSING UNLESS THE BUSING IS REQUIRED BY FEDERAL LAW. This amendment is based on the conclusion that forced busing is *not* a useful tool in achieving desegregation because its financial and educational costs render it counterproductive.

COURT-ORDERED COMPULSORY BUSING HAS BECOME PART OF THE PROBLEM RATHER THAN PART OF THE SOLUTION. *The racial tension and strife of compulsory busing is counterproductive* to our goal of maximum racial harmony, and the furor over compulsory busing stands in the way of community support for voluntary integration. By adopting this amendment, we will allow our courts and local school officials to turn to other *more appropriate solutions.*

ON TUESDAY, NOVEMBER 6, PLEASE JOIN ME IN DOING EVERYTHING THAT WE LEGALLY CAN TO HELP STOP COMPULSORY BUSING. PLEASE VOTE *YES* ON PROPOSITION 1.

ALAN ROBBINS
State Senator, 20th District

One of the great myths of our society is that blacks and other minority children can only receive an effective and equal education through the use of forced busing programs. This is simply *not* true. The use of forced busing hinders voluntary integration participation and other steps which could improve the quality of education available in our schools.

AS MAYOR TOM BRADLEY HAS SAID, "MOST PARENTS, WHATEVER THEIR COLOR, WHATEVER THEIR BACKGROUND, WHEREVER THEY LIVE, DON'T WANT THEIR KIDS TRANSPORTED BACK AND FORTH ACROSS THE CITY."

Norman Cousins, the respected editor of *Saturday Review* and a strong supporter of integration, said a few years ago:

"The evidence is substantial that busing is leading away from integration and not toward it; that it has not significantly improved the quality of education accessible to blacks . . . that it has resulted in the exodus of white students to private schools inside the city or to public schools in the comparatively affluent suburbs beyond the economic means of blacks; and finally, that it has not contributed to racial harmony but has produced deep fissures within American society."

As a black parent and minister who cares about children, I urge you to help end forced school busing in California by voting *YES on the Robbins Amendment.*

REV. W. C. JACKSON
Pastor, Beth Ezel Baptist Church, Watts

As the plaintiff in *Serrano v. Priest,* I have worked to insure equal educational opportunity for all California children. The excessive use of court-ordered forced busing will not guarantee this result.

FORCED BUSING TO ACHIEVE INTEGRATION IS A SHAM. TO FORCE A CHILD TO SPEND THREE HOURS ON A BUS AND FIVE HOURS IN A CLASS DOES NOTHING MORE THAN CHANGE THE COLOR BALANCE OF A FEW SCHOOLS FOR A FEW HOURS.

Children would be better off if we spent these dollars on teachers and buildings rather than wasting it on compulsory busing.

ON NOVEMBER 6, I WILL CAST MY VOTE IN FAVOR OF EQUAL, QUALITY EDUCATION—I WILL VOTE *YES* ON PROPOSITION 1.

JOHN SERRANO, JR.
Plaintiff, Serrano v. Priest

Rebuttal to Arguments in Favor of Proposition 1

1. Busing will NOT come to a halt if Proposition 1 is passed.
2. Proposition 1 will NOT prevent metropolitan integration.
3. Proposition 1 will NOT release money for classroom use in Los Angeles.

Proposition 1's proponents would have you believe that the issue is busing, that amending the California Constitution will stop so-called compulsory busing, and that busing cannot be required under the U.S. Constitution.

Proponents hold up the specter of metropolitan busing, implying that Proposition 1 would block such a plan in Los Angeles and other California metropolitan areas.

Just this year the U.S. Supreme Court approved sweeping compulsory desegregation plans in which federal courts required metropolitan busing. Thus, federal standards may impose broader rather than narrower duties to desegregate.

Proponents complain of the excessive cost of busing under the existing Los Angeles integration order. But, in fact, under a metropolitan plan, busing would cost less and children would spend less time traveling to and from school than some children spend under the current plan.

Since 1954, selfish and shortsighted persons who were responsible for the building of schools and housing in communities throughout California have refused to plan and implement long-term solutions which could have effected integration WITHOUT busing.

Until thoughtful planning for school locations and metropolitan zoning and intelligent housing programs are implemented, busing is one of the only tools we have to provide equal educational opportunity.

WE URGE YOU TO VOTE NO ON PROPOSITION 1.

DIANE E. WATSON
State Senator, 30th District

TERESA P. HUGHES
Member of the Assembly, 47th District

SUSAN F. RICE
President
League of Women Voters of California

Arguments printed on this page are the opinions of the authors and have not been checked for accuracy by any official agency.

Argument Against Proposition 1

Contrary to the promises made by the Amendment's supporters, neither desegration in Los Angeles, nor the busing used as a tool to achieve it, would come to a halt with the passage of this measure.

In the Los Angeles school integration case, the trial court found—and the State Supreme Court agreed—that the segregation resulted from official acts of the school board. Even if the California Constitution were to be amended to make the so-called Federal standard on desegregation apply in California, *de jure* (i.e.: intentional) segregation would still require a remedy not only in Los Angeles but in other school districts all over the state.

There is good reason to believe that Proposition 1 will ultimately be declared unconstitutional, since its very enactment could be interpreted to be *de jure* (intentional) segregation. The backers of Proposition 1 have made it clear in public statements that it is their intention in seeking this amendment to thwart the court's mandate to desegregate the schools in Los Angeles.

The right of every citizen to equal protection of the law, currently guaranteed by our strong California Constitution, is effectively diluted by Proposition 1. The Tenth Amendment to the U.S. Constitution expressly reserves to the States the power to establish greater Constitutional protections for their citizens than those provided by the U.S. Constitution. Proposition 1 drastically weakens the California Constitution's protection of minority students and their right to equal educational opportunity, consigning a generation of minority children to segregated inferior schools.

The campaign in favor of this amendment has played on fears and stirred up racial hostilities. If enacted, it will be a signal to all citizens of California that the state is on the side of prejudice, not equality. By making it possible to reopen cases in districts presently under California court order, the amendment would further generate disruption and turmoil where progress is being made toward desegregation.

Quality education should be available to all the students of our state; it cannot be achieved in a segregated setting. School districts should be encouraged and committed to making education a realistic experience, as we live in an integrated society. But passage of this amendment effectively prevents our school system from preparing our children to function in the real world.

In short, the enactment of this proposition will not deliver what its proponents have promised: the blocking of court-ordered school desegregation in Los Angeles. It will make the state a party to discrimination; it will increase racial conflict; it will restrict educational opportunities for school children; it will touch off a series of costly court battles; and it will set a precedent of altering the California Constitution for political gain.

We urge voters to vote "NO" on Proposition 1.

DIANE E. WATSON
State Senator, 30th District

TERESA P. HUGHES
Member of the Assembly, 47th District

SUSAN F. RICE
President
League of Women Voters of California

Rebuttal to Argument Against Proposition 1

THE ROBBINS AMENDMENT HAS BEEN VERY CAREFULLY DRAFTED TO WITHSTAND ANY CONSTITUTIONAL CHALLENGE AND TO STOP COURT-ORDERED FORCED BUSING IN CALIFORNIA. That is what it is designed to do, and *that is all it will do.*

The opponents of Proposition 1 argue that it will cause segregation and reduce the quality of our schools. In fact, it will do just the opposite.

The Robbins Amendment will assure quality education for the children of California. IT WILL PUT MONEY WHERE IT IS NEEDED —INTO SCHOOLS, TEACHERS AND BOOKS—NOT INTO BUSES, GAS AND BUS DRIVERS.

Forced busing has *not* eased racial tension, it has *not* stopped discrimination, and it has *not* improved the quality of education. It merely forces large numbers of children to take long daily bus rides.

THE SCOPE OF OUR AMENDMENT IS LIMITED TO THE PROBLEMS CAUSED BY COURT-ORDERED BUSING. It makes no attempt to interfere with the prerogatives of local school districts and does *not* diminish their obligation to provide minority students with equal educational opportunities.

By ending the use of court-ordered forced busing, unless such busing is required by the U.S. Constitution, *Proposition 1 does everything the people of California may legally do to stop court-ordered forced busing* in Los Angeles and in all other California school districts. That is one reason why the California P.T.A. has urged the adoption of this type of amendment.

When you vote on the 6th of November, please vote YES on Proposition 1, the Robbins Amendment, and help end forced busing in California.

ALAN ROBBINS
State Senator, 20th District

REV. W. C. JACKSON
Pastor, Beth Ezel Baptist Church, Watts

JOHN SERRANO, JR.
Plaintiff, Serrano v. Priest

Arguments printed on this page are the opinions of the authors and have not been checked for accuracy by any official agency.

2 Loan Interest Rates

Official Title and Summary Prepared by the Attorney General

LOAN INTEREST RATES. LEGISLATIVE CONSTITUTIONAL AMENDMENT. Amends constitutional limit of 10 percent on loan interest rates. Applies 10 percent rate limit to loans primarily for personal, family or household purposes. For other purposes authorizes interest rate limit to be higher of 10 percent or 5 percent plus rate of interest charged by San Francisco Federal Reserve Bank to member banks 25 days prior to execution of loan contract or making of loan. Continues exemption of specified lending institutions from rate restrictions. Extends exemption to loans made or arranged by licensed real estate brokers when secured by lien on real property. Financial impact: No direct fiscal effect on state or local government.

FINAL VOTE CAST BY LEGISLATURE ON ACA 52 (PROPOSITION 2)

Assembly—Ayes, 73 Noes, 5

Senate—Ayes, 33 Noes, 0

Analysis by Legislative Analyst

Background:

The California Constitution prohibits any lender of money, other than those specifically exempted by the Constitution, from charging interest on any loan at a rate exceeding 10 percent per year. This provision of the Constitution is commonly referred to as the usury law.

The Constitution specifically exempts the following lenders from the usury law: savings and loan associations, state and national banks, industrial loan companies, credit unions, pawnbrokers, personal property brokers and agricultural cooperatives.

Proposal:

This ballot measure would amend the Constitution to make several changes in existing law regarding the level of interest rates that may be charged:

1. Under existing law, loans made or arranged by any person licensed as a real estate broker by the State of California and secured in whole or in part by liens on real property are subject to a 10 percent interest rate ceiling. Such loans commonly are made by mortgage brokers and mortgage bankers. Under this measure such loans would be exempt from the constitutional limitations on interest rates that may be charged.

2. Under existing law, lenders not specifically exempted by the Constitution, such as insurance companies and private individuals, are subject to the 10 percent interest rate ceiling on all of their loans. This measure would retain the 10 percent ceiling on loans made by these lenders if the loans were made for personal, family or household purposes. However, if these loans were made for other purposes, such as the purchase, construction or improvement of real property, or financing business activity, they would become subject to a new ceiling. The new interest rate ceiling on these nonpersonal loans would be the higher of (a) 10 percent per year or (b) the prevailing annual interest rate charged to member banks for moneys advanced by the Federal Reserve Bank of San Francisco, plus 5 percent per year. In June 1979, the interest rate charged by the Federal Reserve Bank was 9½ percent. Thus, the allowable rate on loans made during that month would have been 14½ percent had this measure been in effect.

3. The Legislature would be authorized to exempt any other class of persons from the restrictions on interest rates. Currently, exemptions may only be granted by amending the Constitution, which requires a vote of the people.

4. Under the measure, a loan which is exempt from the provisions of the usury law at the time it is made would continue to be exempt from these provisions even if the loan is sold or transferred to another party. While such a loan generally does not become subject to the limitation on interest rates under existing law, the courts have the authority to review the particular circumstances surrounding the sale or transfer. If the court finds that the transaction violates the intent of existing law limiting the rate of interest that may be charged, it may rule that the loan is subject to the limitation. This ballot measure may restrict the court's authority to make such rulings.

Fiscal Effect:

The proposition would have no direct fiscal effect on state or local governments.

This amendment proposed by Assembly Constitutional Amendment No. 52 (Statutes of 1979, Resolution Chapter 49) expressly amends an existing section of the Constitution; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be inserted are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE XV

SECTION 1. The rate of interest upon the loan or forbearance of any money, goods , or things in action, or on accounts after demand, shall be 7 ~~per cent~~ *percent* per annum but it shall be competent for the parties to any loan or forbearance of any money, goods or things in action to contract in writing for a rate of interest ~~not exceeding 10 per cent per annum.~~ :

(1) For any loan or forbearance of any money, goods, or things in action, if the money, goods, or things in action are for use primarily for personal, family, or household purposes, at a rate not exceeding 10 percent per annum; provided, however, that any loan or forbearance of any money, goods or things in action the proceeds of which are used primarily for the purchase, construction or improvement of real property shall not be deemed to be a use primarily for personal, family or household purposes; or

(2) For any loan or forbearance of any money, goods, or things in action for any use other than specified in paragraph (1), at a rate not exceeding the higher of (a) 10 percent per annum or (b) 5 percent per annum plus the rate prevailing on the 25th day of the month preceding the earlier of (i) the date of execution of the contract to make the loan or forbearance, or (ii) the date of making the loan or forbearance established by the Federal Reserve Bank of San Francisco on advances to member banks under Sections 13 and 13a of the Federal Reserve Act as now in effect or hereafter from time to time amended (or if there is no such single determinable rate of advances, the closest counterpart of such rate as shall be designated by the Superintendent of Banks of the State of California unless some other person or agency is delegated such authority by the Legislature).

No person, association, copartnership or corporation shall by charging any fee, bonus, commission, discount or other compensation receive from a borrower more than ~~10 per cent per annum~~ *the interest authorized by this section* upon any loan or forbearance of any money, goods or things in action.

However, none of the above restrictions shall apply to any *obligations of, loans made by, or forbearances of, any* building and loan association as defined in and which is operated under that certain act known as the "Building and Loan Association Act," approved May 5, 1931, as amended, or to any corporation incorporated in the manner prescribed in and operating under that certain act entitled "An act defining industrial loan companies, providing for their incorporation, powers and supervision," approved May 18, 1917, as amended, or any corporation incorporated in the manner prescribed in and operating under that certain act entitled "An act defining credit unions, providing for their incorporation, powers, management and supervision," approved March 31, 1927, as amended or any duly licensed pawnbroker or personal property broker, *or any loans made or arranged by any person licensed as a real estate broker by the State of California and secured in whole or in part by liens on real property,* or any bank as defined in and operating under that certain act known as the "Bank Act," approved March 1, 1909, as amended, or any bank created and operating under and pursuant to any laws of this State or of the United States of America or any nonprofit cooperative association organized under Chapter 1 (commencing with Section 54001) of Division 20 of the Food and Agricultural Code in loaning or advancing money in connection with any activity mentioned in said title or any corporation, association, syndicate, joint stock company, or partnership engaged exclusively in the business of marketing agricultural, horticultural, viticultural, dairy, live stock, poultry and bee products on a cooperative nonprofit basis in loaning or advancing money to the members thereof or in connection with any such business or any corporation securing money or credit from any ~~Federal~~ *federal* intermediate credit bank, organized and existing pursuant to the provisions of an act of Congress entitled "Agricultural Credits Act of 1923," as amended in loaning or advancing credit so secured, *or any other class of persons authorized by statute, or to any successor in interest to any loan or forbearance exempted under this article,* nor shall any such charge of any said exempted classes of persons be considered in any action or for any purpose as increasing or affecting or as connected with the rate of interest hereinbefore fixed. The Legislature may from time to time prescribe the maximum rate per annum of, or provide for the supervision, or the filing of a schedule of, or in any manner fix, regulate or limit, the fees, ~~bonus~~ *bonuses* , commissions, discounts or other compensation which all or any of the said exempted classes of persons may charge or receive from a borrower in connection with any loan or ~~forebearance~~ *forbearance* of any money, goods or things in action.

The rate of interest upon a judgment rendered in any court of this state shall be set by the Legislature at not more than 10 percent per annum. Such rate may be variable and based upon interest rates charged by federal agencies or economic indicators, or both.

In the absence of the setting of such rate by the Legislature, the rate of interest on any judgment rendered in any court of the state shall be 7 percent per annum.

The provisions of this section shall supersede all provisions of this Constitution and laws enacted thereunder in conflict therewith.

2 Loan Interest Rates

Argument in Favor of Proposition 2

In our society today, every family, individual, and employer faces an occasional need for money.

Because sometimes there are problems in securing that money, and some of those problems are actually *caused* by outdated laws adopted in totally different circumstances, Proposition 2 attempts to eliminate *one* problem area.

The Usury Law of California, adopted in 1934 (during the Depression), limited the price which many lenders could charge for the use of money to 10 percent. Unfortunately, inflation and other factors have made that limit unrealistic.

Because 10 percent is not enough today, many lenders no longer loan money in California (although others who are *now* exempt from the Usury Law still do). For example, mortgage bankers, who last year provided $13 billion for housing loans in California, are limited to a 10 percent rate and in 1979 have practically abandoned providing conventional mortgage loans.

This *shortage* of money is curtailing the building of new homes, apartments, stores, and factories to provide needed new jobs. Because this reduces competition among lenders, it actually forces interest *up* on money from lenders now exempt from the Usury Law.

Now, it might *seem* good to be able to have a law which limited the price of a loaf of bread to 10 cents; but, if we had such a law, there would be no bread or only black market bread. We are approaching that stage on the availability of *extra* money—for a family to buy a home, an employer to buy a new factory, tools, a store, or some other job-creating opportunity.

Proposition 2 deals with that problem in realistic and *controlled* circumstances.

It is complex and technical because both the law and the money market are complex and technical. Proposition 2 is explained in the Legislative Analyst's analysis in this pamphlet with text of the changes.

An important fact is that this constitutional provision *retains* present provisions enabling a control by law on "the maximum rate per annum" and on fees or other compensation—a vital control against abuse. Proposition 2 removes the arbitrary, inflexible, and unrealistic *constitutional* limits on nonconsumer loans and on exemptions which have severely limited the flow of money to California to buy homes, create job opportunities, and for other purposes.

Cheap money is no good if you can't get it when you need it. In that case, cheap money is no money.

In the last few years, state after state has found it necessary to change its usury law *for* the people in those states. Today, in today's world, California must change too *for* the people of California.

Proposition 2 is endorsed by labor, business, civic, and governmental leaders who have studied this issue and recognize the need. No group and no individual appeared before the legislative committees to oppose this measure, which passed the Senate 33-0 and the Assembly 73-5.

Because sometimes we all need money, we need to remove outdated limitations on the availability of that money. Vote "YES" on Proposition 2.

WALTER M. INGALLS
Member of the Assembly, 68th District

WILLIAM CAMPBELL
State Senator, 33rd District
Senate Minority Floor Leader

No rebuttal to argument in favor of Proposition 2 was submitted.

Argument Against Proposition 2

Proposition 2 would weaken California's usury laws by boosting interest rates on certain loans above the current 10% maximum. Eroding these laws would be a misstep in the direction of higher costs and tighter money.

In both the primary and general elections in 1976, the voters clearly said NO to similar ballot proposals which would have increased interest rates by changing the portion of the California Constitution that has protected consumers for more than 40 years. I ask you to vote NO once again.

Proposition 2 would boost interest rates for other than consumer loans above the current 10% maximum. These maximum interest rates would be tied to the prevailing discount rate or the interest rate which the Federal Reserve Bank charges member banks. Thus, if this measure had been law in July 1979 when the discount rate was at an all-time high of 9½%, the interest rate charged by a nonexempt lender could now be 14½%.

If higher interest rates can be charged on loans to businesses and corporations than can be charged for consumer loans, then obviously there will be a greater incentive to loan more money to corporations. This will take money away from the consumer loan market and could virtually dry it up. Consumer loans will be harder and harder to get.

Proposition 2, contrary to what supporters say, could affect consumer loans. Although loans used primarily for personal, family, or household purposes would be exempt, you could be charged these higher interest rates if under half of the money borrowed is to be used for household needs and over half for some other purpose.

We need our consumer protection laws. Let's keep California's usury laws intact. Let's say NO to higher interest rates. Vote NO on Proposition 2.

HERSCHEL ROSENTHAL
Member of the Assembly, 45th District

Rebuttal to Argument Against Proposition 2

Opponents say that we should deny businesses and corporations the opportunity to pay higher interest rates—a primary purpose of Proposition 2.

Make no mistake; business does not want to pay a penny more in interest than it must—and will not. But, business needs money to build housing, factories, stores, and offices and develop farms and energy sources so that they can create jobs and homes for our growing population.

And today, not enough money is available because of the outdated restrictions of our interest laws applicable to business or nonconsumer loans. California business needs a change to compete fairly for dollars.

Proposition 2 will have essentially no effect on loans for personal, family, or household purposes—such loans will remain subject to the 10 percent interest limit and, in many cases, are *already* and have always been exempt from constitutional control. Our consumer protection laws will remain essentially unchanged and as strong as they are today.

Conditions today are very different than they were even in 1976, when the voters last examined this issue; and are certainly different than they were in 1934, when this provision was originally written.

We cannot go back to the 10¢ loaf of bread. In realism, California must join other states in making money available for all its citizens.

WALTER M. INGALLS
Member of the Assembly, 68th District

WILLIAM CAMPBELL
State Senator, 33rd District
Senate Minority Floor Leader

3 Property Taxation — Veterans' Exemption

Official Title and Summary Prepared by the Attorney General

PROPERTY TAXATION — VETERANS' EXEMPTION. LEGISLATIVE CONSTITUTIONAL AMENDMENT. Adds Section 3.5 to Article XIII of the Constitution to require that, in any year in which the assessment ratio is changed, the Legislature shall adjust the valuation of assessable property of eligible veterans, unmarried spouses of deceased veterans, and parents of deceased veterans to maintain the same proportionate values of such property. Financial impact: No effect on the amount of property taxes levied. No effect on tax liability of taxpayers claiming the veterans' exemption. Minor initial costs to local government.

FINAL VOTE CAST BY LEGISLATURE ON SCA 60 (PROPOSITION 3)

Assembly—Ayes, 76 Noes, 1

Senate—Ayes, 35 Noes, 0

Analysis by Legislative Analyst

Background:

The California Constitution provides that all property subject to property taxation shall be assessed for property tax purposes at the same percentage of full value. The Legislature, however, may determine what specific percentage of "full value," commonly referred to as the assessment ratio, is to be used by assessors. Existing law requires county assessors to assess property at 25 percent of full value. Thus, a property with a full value of $80,000 would be assessed for property tax purposes at $20,000.

The California Constitution also provides for the exemption of certain types of property from property taxation. The veterans' exemption excludes from property taxation $1,000 of the *assessed* value of taxable property owned by a veteran of the armed services, the unmarried spouse of a deceased veteran, or the parent of a deceased veteran. Eligible persons must own property valued at less than $5,000 in the case of single persons, and $10,000 in the case of married persons, in order to qualify for the exemption. These property value limits have been interpreted by the California courts to be based on the *assessed* value of taxable property and the *full* value of all other property.

Proposal:

Passage of this ballot proposition would cause legislation enacted in 1978 to go into effect. This legislation—Chapter 1207, Statutes of 1978—would change the assessment ratio from 25 percent of full value to 100 percent of full value, beginning with the 1981–82 tax year. It would also make a number of technical changes in various provisions of law to make them consistent with the change in the assessment ratio. Chapter 1207 contains a provision specifying that it will not take effect until this ballot proposition is approved by the voters.

This ballot proposition would also require the Legislature to adjust the amount of the veterans' exemption, which currently is $1,000 of assessed value, to reflect any changes made by the Legislature in the assessment ratio. Chapter 1207 increases this ratio from 25 percent to 100 percent, and requires that the amount of the veterans' exemption be increased from $1,000 to $4,000 of assessed value.

Passage of this ballot proposition would also cause legislation enacted in July 1979 to go into effect. This legislation—Chapter 260, Statutes of 1979—would provide that the property value limit used in determining eligibility for the veterans' exemption ($5,000 in the case of a single person and $10,000 in the case of married persons) is to be increased to reflect any increase in the value of a claimant's property resulting from the change in the assessment ratio.

Fiscal Effect:

The change in the assessment ratio from 25 percent to 100 percent would have no effect on the amount of property taxes levied or the amount of value exempted by current property tax exemptions. The proposition would require certain state and local agencies to make adjustments in all computations which use assessed value as a factor. Most of these changes would affect data processing procedures used by county auditors and assessors. The cost of these adjustments statewide is estimated to be relatively minor. Because these local costs would result from a constitutional amendment approved by the voters, they would not be reimbursed by the state.

The change in the veterans' exemption would have no effect on the tax liability of any taxpayer claiming the veterans' exemption.

Property Taxation — Veterans' Exemption 3

Argument in Favor of Proposition 3

Proposition 3 is concerned with the method of stating property taxes on your property tax bill. *Its passage would neither raise nor lower property taxes but would make it easier for you to understand how your taxes are computed.*

For many years, tax assessors have used a 25% assessment ratio in computing property taxes. If your house is valued at $80,000 for property tax purposes, the assessor multiplies that amount by 25% for an assessed value of $20,000. The tax collector then divides the assessed value by 100, and multiplies it by the county tax rate per $100 of assessed value to yield the amount of tax due. If you have never understood the computation of your property tax when you paid your bill, it was because of this confusing system.

Passage of Proposition 3 will eliminate use of the 25% assessment ratio and the rate per $100. Instead, the tax rate will be stated as a simple percentage of the assessed value. Property taxes on an $80,000 house will, under the 1% limitation of Proposition 13, be stated as 1% of $80,000 (plus the addition allowed under Proposition 13 for outstanding indebtedness from voter-approved bonds). The result will be an understandable system without complicated or confusing formulas.

The language of Proposition 3 also ensures that the current Veterans' Property Tax Exemption guaranteed by the California Constitution is not reduced by this change.

Proposition 3 is designed to simplify the property tax system and make it more easily understandable to property taxpayers *without increasing or decreasing anyone's taxes. Proposition 3 in no way changes the property tax limitations or the amount of property taxes payable under Proposition 13.*

Proposition 3 received bipartisan support in the Legislature. We urge its adoption by the people.

ALAN SIEROTY
State Senator, 22nd District

ROSE ANN VUICH
State Senator, 15th District

MEL LEVINE
Member of the Assembly, 44th District

No argument against Proposition 3 was submitted

Text of proposed law appears on page 22

4 Limitation of Government Appropriations — Initiative Constitutional Amendment

Official Title and Summary Prepared by the Attorney General

LIMITATION OF GOVERNMENT APPROPRIATIONS. INITIATIVE CONSTITUTIONAL AMENDMENT. Establishes and defines annual appropriation limits on state and local governmental entities based on annual appropriations for prior fiscal year. Requires adjustments for changes in cost of living, population and other specified factors. Appropriation limits may be established or temporarily changed by electorate. Requires revenues received in excess of appropriations permitted by this measure to be returned by revision of tax rates or fee schedules within two fiscal years next following year excess created. With exceptions, provides for reimbursement of local governments for new programs or higher level of services mandated by state. Financial impact: Indeterminable. Financial impact of this measure will depend upon future actions of state and local governments with regard to appropriations that are not subject to the limitations of this measure.

Analysis by Legislative Analyst

Background:

The Constitution places no limitation on the amount which may be appropriated for expenditure by the state or local governments (including school districts), provided sufficient revenues are available to finance these expenditures. Nor does the Constitution limit the amount by which appropriations in one year may exceed appropriations in the prior year.

Proposal:

This ballot measure would amend the Constitution to:

- Limit the growth in appropriations made by the state and individual local governments. Generally, the measure would limit the rate of growth in appropriations to the percentage increase in the cost of living and the percentage increase in the state or local government's population.
- Establish the general requirement that state and local governments return to the taxpayers moneys collected or on hand that exceed the amount appropriated for a given fiscal year.
- Require the state to reimburse local governments for the cost of complying with "state mandates." "State mandates" are requirements imposed on local governments by legislation or executive orders.

The appropriation limits would become effective in the 1980–81 fiscal year, which begins on July 1, 1980, and ends on June 30, 1981. These limits would only apply to appropriations financed from the "proceeds of taxes," which the initiative defines as:

- All tax revenues (we are advised by Legislative Counsel that this would include those tax revenues carried over from prior years);
- Any proceeds from the investment of tax revenues; and
- Any revenues from a regulatory license fee, user charge or user fee that *exceed* the amount needed to cover the reasonable cost of providing the regulation, product or service.

The initiative would not restrict the growth in appropriations financed from other sources of revenue, including federal funds, bond funds, traffic fines, user fees based on reasonable costs, and income from gifts.

The *appropriation limit for the state government* in fiscal year 1980–81 would be equal to the sum of all appropriations initially available for expenditure during the period July 1, 1978–June 30, 1979, that were financed from the "proceeds of taxes," less amounts specifically excluded by the measure (discussed below), with the remainder adjusted for changes in the cost of living and population. The appropriations limit for each succeeding year would be equal to the limit for the prior year, adjusted for changes in the cost of living and population. Thus, even if the state appropriations in a given year were held below the level permitted by this ballot measure, the appropriation limit for the following year would not be any lower as a result. The limit would still be based on the limit for the prior year, and not on the actual level of appropriations for that year.

The following types of appropriations would *not* be subject to the state limit:

(1) State financial assistance to local governments—that is, any state funds which are distributed to local governments other than funds provided to reimburse these governments for state mandates;
(2) Payments to beneficiaries from retirement, disability insurance and unemployment insurance funds;
(3) Payments for interest and redemption charges on state debt existing on January 1, 1979, or payments on voter-approved *bonded* debt incurred after that date;
(4) Appropriations needed to pay the state's cost of complying with mandates imposed by federal laws and regulations or court orders.

We estimate that the state appropriated approxi-

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Text of Proposed Law

This initiative measure proposes to add a new Article XIII B to the Constitution; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED ADDITION OF ARTICLE XIII B

PROPOSED ARTICLE XIII B. CONSTITUTION GOVERNMENT SPENDING LIMITATION

SEC. 1. The total annual appropriations subject to limitation of the state and of each local government shall not exceed the appropriations limit of such entity of government for the prior year adjusted for changes in the cost of living and population except as otherwise provided in this Article.

SEC. 2. Revenues received by any entity of government in excess of that amount which is appropriated by such entity in compliance with this Article during the fiscal year shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

SEC. 3. The appropriations limit for any fiscal year pursuant to Sec. 1 shall be adjusted as follows:

(a) In the event that the financial responsibility of providing services is transferred, in whole or in part, whether by annexation, incorporation or otherwise, from one entity of government to another, then for the year in which such transfer becomes effective the appropriations limit of the transferee entity shall be increased by such reasonable amount as the said entities shall mutually agree and the appropriations limit of the transferor entity shall be decreased by the same amount.

(b) In the event that the financial responsibility of providing services is transferred, in whole or in part, from an entity of government to a private entity, or the financial source for the provision of services is transferred, in whole or in part, from other revenues of an entity of government, to regulatory licenses, user charges or user fees, then for the year of such transfer the appropriations limit of such entity of government shall be decreased accordingly.

(c) In the event of an emergency, the appropriation limit may be exceeded provided that the appropriation limits in the following three years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

SEC. 4. The appropriations limit imposed on any new or existing entity of government by this Article may be established or changed by the electors of such entity, subject to and in conformity with constitutional and statutory voting requirements. The duration of any such change shall be as determined by said electors, but shall in no event exceed four years from the most recent vote of said electors creating or continuing such change.

SEC. 5. Each entity of government may establish such contingency, emergency, unemployment, reserve, retirement, sinking fund, trust, or similar funds as it shall deem reasonable and proper. Contributions to any such fund, to the extent that such contributions are derived from the proceeds of taxes, shall for purposes of this Article constitute appropriations subject to limitation in the year of contribution. Neither withdrawals from any such fund, nor expenditures of (or authorizations to expend) such withdrawals, nor transfers between or among such funds, shall for purposes of this Article constitute appropriations subject to limitation.

SEC. 6. Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state shall provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention of funds for the following mandates:

(a) Legislative mandates requested by the local agency affected;

(b) Legislation defining a new crime or changing an existing definition of a crime; or

(c) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

SEC. 7. Nothing in this Article shall be construed to impair the ability of the state or of any local government to meet its obligations with respect to existing or future bonded indebtedness.

SEC. 8. As used in this Article and except as otherwise expressly provided herein:

(a) "Appropriations subject to limitation" of the state shall mean any authorization to expend during a fiscal year the proceeds of taxes levied by or for the state, exclusive of state subventions for the use and operation of local government (other than subventions made pursuant to Section 6 of this Article) and further exclusive of refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds;

(b) "Appropriations subject to limitation" of an entity of local government shall mean any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of state subventions to that entity (other than subventions made pursuant to Section 6 of this Article) exclusive of refunds of taxes;

(c) "Proceeds of taxes" shall include, but not be restricted to, all tax revenues and the proceeds to an entity of government, from (i) regulatory licenses, user charges, and user fees to the extent that such proceeds exceed the costs reasonably borne by such entity in providing the regulation, product, or service, and (ii) the investment of tax revenues. With respect to any local government, "proceeds of taxes" shall include subventions received from the state, other than pursuant to Section 6 of this Article, and, with respect to the state, proceeds of taxes shall exclude such subventions;

(d) "Local government" shall mean any city, county, city and county, school district, special district, authority, or other political subdivision of or within the state;

(e) "Cost of living" shall mean the Consumer Price Index for the United States as reported by the United States Department of Labor, or successor agency of the United States Government; provided, however, that for purposes of Section 1, the change in cost of living from the preceding year shall in no event exceed the change in California per capita personal income from said preceding year;

(f) "Population" of any entity of government, other than a school district, shall be determined by a method prescribed by the Legislature, provided that such determination shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor agency of the United States Government. The population of any school district shall be such school district's average daily

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4 Limitation of Government Appropriations — Initiative Constitutional Amendment

Arguments in Favor of Proposition 4

The 'Spirit of 13' citizen-sponsored initiative provides permanent constitutional protection for taxpayers from excessive taxation. A 'yes' vote for Proposition 4 will *preserve* the gains made by Proposition 13.

VERY SIMPLY, this measure:

1) WILL limit state and local government spending.
2) WILL refund or credit excess taxes received by the state to the taxpayer.
3) WILL curb excessive user fees imposed by local government.
4) WILL eliminate government waste by forcing politicians to rethink priorities while spending our tax money.
5) WILL close loopholes government bureaucrats have devised to evade the intent of Proposition 13.

ADDITIONALLY, this measure:

1) WILL NOT allow the state government to force programs on local governments without the state paying for them.
2) WILL NOT prevent the state and local governments from responding to emergencies whether natural or economic.
3) WILL NOT prevent state and local governments from providing essential services.
4) WILL NOT allow politicians to make changes (in this law) without voter approval.
5) WILL NOT favor one group of taxpayers over another.

Proposition 4 is a well researched, carefully written citizen-sponsored initiative that is sponsored by the signatures of nearly one million Californians who know that the 'Spirit of 13' is the next logical step to Proposition 13.

Your 'yes' vote will guarantee that excessive state tax surpluses will be returned to the taxpayer, not left in the State Treasury to fund useless and wasteful programs.

This amendment is a reasonable and flexible way to provide discipline in tax spending at the state and local levels and will not override the desires of individual communities—a majority of *voters* may adjust the spending limits for local entities such as cities, counties, etc.—it will force return of any additional taxation to voter control! To protect our government's credit rating on behalf of the taxpayers, the limit does not apply to user charges required to meet obligations to the holders of existing or future bonds regardless of voter approval.

For California's sake, we sincerely urge a Yes vote on Proposition 4 to continue the Spirit of Proposition 13.

PAUL GANN
Coauthor, Proposition 13

CAROL HALLETT
Member of the Assembly, 29th District
Assembly Minority Leader

No government should have an unrestricted right to spend the taxpayer's money. Government should be subject to fiscal discipline no less than the citizens it represents.

Proposition 4 is a thoughtfully drafted spending limit. It will require state and local governments to limit their budgets yet provide for reasonable growth and meet emergencies.

It will not require wholesale cuts in necessary services. Californians want quality education, health services, police and fire protection.

Our citizens want to provide adequately for the elderly, the disabled, the abandoned children. Such programs will not be impaired.

Government must continue to be sensitive to human needs. A rational spending limit is not only consistent with that view, it is essential if government services are to be rendered effectively.

Nothing hinders the prompt attention to real needs as surely as an inefficient bureaucracy.

We need lean, flexible, responsive government. We need sensible spending controls that will help eliminate waste without sacrificing truly useful programs.

Proposition 4 offers that possibility.

LEO T. McCARTHY
Member of the Assembly, 18th District
Speaker of the Assembly

Rebuttal to Arguments in Favor of Proposition 4

Don't be misled by promises!

The proponents make Proposition 4 sound like a cure-all for every government ill. They make Proposition 4 seem like a magic wand that will transform government into an efficient machine perfectly responsive to the public will. What nonsense!

Proposition 4

- will NOT eliminate government waste;
- will NOT eliminate user fees;
- will NOT allow governments to respond to emergencies without severe penalty.

What about waste? Proposition 4 puts the power to decide how spending limits will be met right back into the hands of the very same officials who have yet to prove they know how to cut waste. They find it much easier to cut services than to cut fat!

What about fees? The measure itself states that user fees, service charges and admission taxes can still be levied. (Check Sections 3(b) and 8(c)).

What about emergencies? Every time an emergency occurs, future expenditures in other important areas will have to be cut back. It is irresponsible to pit everyday services (like police and fire protection) against the extraordinary needs of an emergency.

Proposition 4

- will NOT guarantee YOU a tax refund;
- will NOT preserve needed services;
- will NOT allow California to cope with the ravages of inflation and unemployment.

Recession and inflation are ganging up on government *and* on taxpayers. Proposition 4 is too inflexible to assure adequate government services for an uncertain future.

VOTE NO ON PROPOSITION 4!

JONATHAN C. LEWIS
Executive Director
California Tax Reform Association

SUSAN F. RICE
President
League of Women Voters of California

JOHN F. HENNING
Executive Secretary-Treasurer
California Labor Federation AFL-CIO

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Limitation of Government Appropriations — Initiative Constitutional Amendment

4

Argument Against Proposition 4

Proposition 4 DOES NOT guarantee that the "fat" will be cut from government. Proposition 4 IS NOT tax reform. Proposition 4 is, instead, a rash measure that places a straitjacket on government at the very moment when Californians are faced with an uncertain economic future.

Some of the state's largest businesses, financial institutions, utilities, agribusiness and real estate interests spent $537,000 putting Proposition 4 on the ballot. Doesn't it strike you as strange that these interests are backing a so-called "grassroots" initiative?

All Californians are understandably concerned about rising taxes. We all want efficient government *and* a fair tax system. But who will really benefit from Proposition 4? Will it be *you* or the special interests backing this measure?

Proposition 4 does not guarantee tax relief for the individual. There is no guarantee that any excess government revenues will necessarily be used to lower *your* taxes. Genuine tax reform means changing the tax system so everyone pays his or her fair share.

During the past 20 years the burden of taxation has shifted from business and commercial interests to the individual taxpayer. The percentage of state and local taxes paid by business has dropped from 57% to only 37%. This partially accounts for the increase in your tax bills.

It is a myth to believe that Proposition 4 will streamline government. Nowhere in the proposal is there a requirement to cut unnecessary or wasteful government spending. The "fat" in government could go untouched while cuts are made in vital and important services.

Passage of this measure could cripple economic growth in California. There will be no advantage for cities and counties to approve new commercial developments. Because of the spending limitation, revenues generated by new commercial development cannot be spent by local entities already at their spending limit. However, services must still be provided to new commercial and housing developments, which will result in a reduction in the level of services already provided to existing residents and businesses. Communities will be forced to choose between creating new jobs and cutting services.

Proposition 4 is smokescreen politics. That is why we ask you to join us in voting NO.

JONATHAN C. LEWIS
Executive Director
California Tax Reform Association

SUSAN F. RICE
President
League of Women Voters of California

JOHN F. HENNING
Executive Secretary-Treasurer
California Labor Federation, AFL-CIO

Rebuttal to Argument Against Proposition 4

The arguments submitted by the groups opposing Proposition 4 should come as no surprise—particularly to those of us who supported Proposition 13 last year. Scare tactics, distortion and a healthy smattering of "buzzwords" are the same devices used time and again against the people whenever they decide it's time to offer a logical and reasonable solution. In this case, the people simply want to place *a limit on government spending.*

If you are among the people who think government should *not* have the unrestricted right to spend taxpayers' money, you can recite these facts to your friends and neighbors.

FACT: In the past 20 years, government spending increased 5 times beyond the allowable limits of Proposition 4.

FACT: Proposition 4 *requires* that surplus funds be returned to the taxpayers.

FACT: Proposition 4 will force politicians to prioritize and economize just as households and small businesses do to make ends meet.

FACT: Proposition 4 is supported by nearly one million voter signatures, the Democratic and Republican leaders of the State Assembly, state cochairperson Secretary of State March Fong Eu, the California Taxpayers' Association, the California Chamber of Commerce, the 83,000 family-farm member California Farm Bureau, the 55,000 small business member Federation of Independent Business, local taxpayer associations, and scores of civic and community leaders concerned about the ever-increasing growth of government spending.

Please join us in voting "Yes" on Proposition 4 to maintain the Spirit of 13.

PAUL GANN
Coauthor, Proposition 13

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mately $7.9 billion from the "proceeds of taxes" in fiscal year 1978–79, after taking into account the exclusions listed above. This amount, referred to as "appropriations subject to limitation," represents approximately 40 percent of *total* General Fund and special fund appropriations made for that fiscal year. The main reason why the state's appropriation limit covers less than half of the state's total expenditures is that a large proportion of total state expenditures represents funds passed on to local governments for a variety of public purposes. Under this ballot measure, these funds would be subject to the limits on local, rather than state, appropriations.

The *appropriation limit for a local government* in fiscal year 1980–81 would be equal to the sum of all appropriations initially available for expenditure during the period of July 1, 1978–June 30, 1979, that were financed from the "proceeds of taxes," *plus* state financial assistance received in that year, *less* amounts specifically excluded by the measure (discussed below), with the remainder adjusted for changes in the cost of living and population. The appropriations limit in each subsequent year would be equal to the limit for the prior year, adjusted for changes in the cost of living and population. For each school district, "population" is defined in this measure as the district's average daily attendance.

The following types of appropriations would not be subject to the local limit:

(1) Refunds of taxes;
(2) Appropriations required for payment of local costs incurred as a result of state mandates. (The initiative requires the state to reimburse local governments for such costs, and the appropriation of such funds would be subject to limitation at the state level.);
(3) Payments for interest and redemption charges on debt existing on or before January 1, 1979, or payments on voter-approved *bonded* debt incurred after that date;
(4) Appropriations required to pay the local government's cost of complying with mandates imposed by federal laws and regulations or court orders.

Furthermore, any special district which was in existence on July 1, 1978, and which had a 1977–78 fiscal year property tax rate of 12½ cents per $100 of assessed value or less, would never be subject to a limit on appropriations. Special districts which do not receive any funding from the "proceeds of taxes" would also be exempt from the limits.

Under the initiative, the limit on state or local government appropriations could be changed in one of four ways:

(1) An appropriation limit *may* be changed temporarily if a majority of voters in the jurisdiction approve the change. Such a change could be made for one, two, three, or four years, but it could *not* be effective for more than four years unless a majority of the voters again voted to change the limit.
(2) In the event of an emergency, an appropriation limit *may* be exceeded for a single year by the governing body of a local government without voter approval. However, if the governing body provides for an emergency increase, the appropriation limits in the following three years would have to be reduced by an amount sufficient to recoup the excess appropriations. The initiative does not place any restrictions upon the types of circumstances which may be declared to constitute an emergency.
(3) If the financial responsibility for providing a program or service is transferred from one entity of government to another *government* entity, the appropriation limits of both entities *must* be adjusted by a reasonable amount that is mutually agreed upon. Any increase in one entity's limit would have to be offset by an equal decrease in the other entity's limit.
(4) If an entity of government transfers the financial responsibility for providing a program or service from itself to a *private* entity, or the source of funds used to support an existing program or service is shifted from the "proceeds of taxes" to regulatory license fees, user charges or use fees, the entity's appropriation limit *must* be decreased accordingly.

If, in any fiscal year, an entity of government were to receive or have on hand revenues in excess of the amount that it appropriates for that year, it would be required to return the excess to taxpayers within the next two fiscal years. The initiative specifies that these funds are to be returned by lowering tax rates or fee schedules. In addition, Legislative Counsel has advised us that direct refunds of taxes paid would also be permitted under the measure.

Because certain types of appropriations would not be directly subject to the limitations established by this ballot measure, it would be possible for the state or a local government with excess funds to spend these funds in the exempt categories rather than return the funds to the taxpayers. For example, the state could appropriate any excess revenues for additional financial assistance to local governments, because such assistance is excluded from the limit on state appropriations. (This, in turn, might result in the return of excess revenues to local taxpayers if a local government were unable to spend these funds within its limit.) Similarly, a local government with an unfunded liability in its retirement system could appropriate its excess revenues to reduce the liability, as such an appropriation would be considered a payment toward a legal "indebtedness" under this ballot measure.

Finally, the initiative would establish a requirement that the state provide funds to reimburse local agencies

r the cost of complying with state mandates. The initiative specifies that the Legislature need not provide such reimbursements for mandates enacted or adopted *prior* to January 1, 1975, but does not require explicitly that reimbursement be provided for mandates enacted or adopted after that date. Legislative Counsel advises us that under this measure the state would only be *required* to provide reimbursements for costs incurred as a result of mandates enacted or adopted *after* July 1, 1980.

Fiscal Impact:

This proposition is primarily intended to limit the rate of growth in state and local spending by imposing a limit on certain categories of state and local appropriations. As noted above, approximately 60 percent of current state expenditures would be excluded from the limit on state appropriations, although nearly all of these expenditures would be subject to limitation at the local level. Also, some unknown percentage of local government expenditures would not be subject to the limits on either state or local appropriations. Thus, the fiscal impact of this ballot measure would depend on two factors:

(1) What the rate of growth in state and local "appropriations subject to limitation" would be, in the absence of this limitation; and

(2) The extent to which any reductions in "appropriations subject to limitation" required by the measure are offset by increases in those appropriations *not* subject to limitation.

Impact on State Government. During six of the past ten years, total state spending has increased more rapidly than the cost of living and population. Thus, it is likely that, had this measure been in effect during those years, it would have caused "appropriations subject to limitation" to be less than they actually were.

It is *not* possible to predict with any accuracy the future rate of growth in state "appropriations subject to limitation." Thus it is not possible to estimate with any reliability what effect the measure, if approved, would have on such appropriations in the future. However, based on the best information now available (July 1979), we estimate that passage of the initiative would cause state "appropriations subject to limitation" in fiscal year 1980–81 to be modestly lower than they probably would be if the initiative were not approved. This assumes that state reimbursement would only be required for state mandates enacted or adopted after July 1, 1980. If the courts ruled that reimbursement was required for mandates enacted or adopted after January 1, 1975, the impact of the measure on "appropriations subject to limitation" would be substantial. This is because the state would be required to provide significant reimbursements to local governments within this limitation. We have no basis for predicting the impact in subsequent years.

Whether this would result in a reduction in *total* state spending would depend on whether the state decided to use the funds that could not be spent under the limitation for (1) additional financial assistance to local governments (or for some other category of appropriations excluded from the limit), or (2) state tax relief. Thus, the effect of this ballot measure on state spending in 1980–81 could range from no change to a modest reduction.

Impact on Local Governments. Existing data do not permit us to make reliable estimates of either the appropriation limits that local governments would face in fiscal year 1980–81 if this ballot measure were approved, or what these governments would spend in that fiscal year if the initiative were not approved. Nonetheless, we estimate that those school districts experiencing significant declines in enrollment would have to reduce "appropriations subject to limitation" significantly below what these appropriations would be otherwise. We also estimate that most cities and counties, at least initially, would not be required to reduce the growth in these categories of appropriations by any significant amounts. However, some local governments, especially those with stable or declining populations, could be subject to more significant restrictions on their "appropriations subject to limitation."

Whether any reductions in "appropriations subject to limitation" caused by this measure would result in corresponding reductions in *total* local government expenditures and a return of excess revenues to the taxpayers would depend on whether increased spending resulted in those categories *not* subject to limitation. We have no basis for estimating the actions of local governments in this regard.

Conclusion. Thus, while a reduction in the rate of growth in state or local government expenditures may result from this ballot measure in fiscal year 1980–81, there may be instances in which no reduction in the rate of growth in an individual government's spending occurs. The impact of this measure in subsequent years cannot be estimated, although the measure could cause government spending to be significantly lower than it would be otherwise.

TEXT OF PROPOSITION 3

This amendment proposed by Senate Constitutional Amendment No. 60 (Statutes of 1978, Resolution Chapter 85) expressly adds a section to the Constitution; therefore, provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE XIII

SEC. 3.5. In any year in which the assessment ratio is changed, the Legislature shall adjust the valuation of assessable property described in subdivisions (o), (p) and (q) of Section 3 of this article to maintain the same proportionate values of such property.

TEXT OF PROPOSITION 4—*Continued from page 17*

attendance as determined by a method prescribed by the Legislature;

(g) "Debt service" shall mean appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979 or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose.

(h) The "appropriations limit" of each entity of government for each fiscal year shall be that amount which total annual appropriations subject to limitation may not exceed under Section 1 and Section 3; provided, however, that the "appropriations limit" of each entity of government for fiscal year 1978–79 shall be the total of the appropriations subject to limitation of such entity for that fiscal year. For fiscal year 1978–79, state subventions to local governments, exclusive of federal grants, shall be deemed to have been derived from the proceeds of state taxes.

(i) Except as otherwise provided in Section 5, "appropriations subject to limitation" shall not include local agency loan funds or indebtedness funds, investment (or authorizations to invest) funds of the state, or of an entity of local government in accounts at banks or savings and loan associations or in liquid securities.

SEC. 9. "Appropriations subject to limitation" for each entity of government shall not include:

(a) Debt service.

(b) Appropriations required for purposes of complying with mandates of the courts or the federal government which, without discretion, require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

(c) Appropriations of any special district which existed on January 1, 1978, and which did not as of the 1977–78 fiscal year levy an ad valorem tax on property in excess of 12½ cents pe $100 of assessed value; or the appropriations of any specia. district then existing or thereafter created by a vote of the people, which is totally funded by other than the proceeds of taxes.

SEC. 10. This Article shall be effective commencing with the first day of the fiscal year following its adoption.

SEC. 11. If any appropriation category shall be added to or removed from appropriations subject to limitation, pursuant to final judgment of any court of competent jurisdiction and any appeal therefrom, the appropriations limit shall be adjusted accordingly. If any section, part, clause or phrase in this Article is for any reason held invalid or unconstitutional, the remaining portions of this Article shall not be affected but shall remain in full force and effect.

MARCH FONG EU
Secretary of State
1230 J STREET
SACRAMENTO, CA 95814

BULK RATE
U.S.
POSTAGE
PAID
Secretary of
State

In an effort to reduce election costs, the State Legislature has authorized counties having this capability to mail only one ballot pamphlet to addresses where more than one voter with the same surname resides. If you wish additional copies, you may obtain them by calling or writing to your county clerk or registrar of voters.

En un esfuerzo por reducir los costos electorales, la Legislatura Estatal ha autorizado a los condados que cuentan con la capacidad de hacerlo, enviar una sola balota a direcciones en que reside más de un votante del mismo apellido. Si usted desea copias adicionales, llame o escriba al secretario del condado o registrador de votantes que le corresponde y se las suministrarán.

CERTIFICATE OF SECRETARY OF STATE

I, March Fong Eu, Secretary of State of the State of California, do hereby certify that the foregoing measures will be submitted to the electors of the State of California at the SPECIAL ELECTION to be held throughout the State on November 6, 1979, and that the foregoing pamphlet has been correctly prepared in accordance with law.

Witness my hand and the Great Seal of the State in Sacramento, California, this first day of August 1979.

March Fong Eu

MARCH FONG EU
Secretary of State